



TOWN COUNCIL – AGENDA REQUEST FORM

THIS FORM WILL BECOME PART OF THE BACKGROUND INFORMATION USED BY THE COUNCIL AND PUBLIC

Please submit Agenda Request Form, **including back up information**, 8 days prior to the requested meeting date. **Public Hearing requests must be submitted 20 days prior to requested meeting date to meet publication deadlines** (exceptions may be authorized by the Town Manager, Chairman/Vice Chair).

MEETING INFORMATION

Date Submitted: September 15, 2020 Date of Meeting: September 24, 2020
Submitted by: Finance Director Paul T. Micali
Department: Time Required: 15 minutes
Speakers: Background Info. Yes: No:
Supplied: _____

CATEGORY OF BUSINESS (PLEASE PLACE AN "X" IN THE APPROPRIATE BOX)

Appointment:	<input type="checkbox"/>	Recognition/Resignation/ Retirement:	<input type="checkbox"/>
Public Hearing:	<input type="checkbox"/>	Old Business:	<input type="checkbox"/>
New Business:	<input checked="" type="checkbox"/>	Consent Agenda:	<input type="checkbox"/>
Nonpublic:	<input type="checkbox"/>	Other:	<input type="checkbox"/>

TITLE OF ITEM

MS-434 Discussion

DESCRIPTION OF ITEM

The Town Council to be presented with the details of the MS-434 (Revised estimate of the 2020-2021 revenues).

REFERENCE (IF KNOWN)

RSA: Warrant Article: _____
Charter Article: Town Meeting: _____
Other: N/A

EQUIPMENT REQUIRED (PLEASE PLACE AN "X" IN THE APPROPRIATE BOX)

Projector:	<input type="checkbox"/>	Grant Requirements:	<input type="checkbox"/>
Easel:	<input type="checkbox"/>	Joint Meeting:	<input type="checkbox"/>
Special Seating:	<input type="checkbox"/>	Other:	<input type="checkbox"/>
Laptop:	<input type="checkbox"/>	None:	<input type="checkbox"/>

CONTACT INFORMATION

Name: **Paul T. Micali** Address **8 Baboosic Lake Road**
Phone Number **424-7075** Email Address **pmicali@merrimacknh.gov**

APPROVAL

Town Manager: Yes No: Chair/Vice Chair: Yes No:
Hold for Meeting Date: _____

Memo



TO: Town Council
ATTN: Town Manager Eileen Cabanel
FROM: Finance Director Paul T. Micali
DATE: September 15, 2020

RE: MS-434

As many of you may recall that during the 2020-21 budget discussion we set aside \$1,550,000 from Fund Balance to be used to offset taxes. I will need the Town Council to confirm this amount at the meeting so I can file the MS-434 with Department of Revenue Administration (DRA) to begin the Tax Rate setting process. Below is some information as it relates to the Undesignated Fund Balance.

Finance is currently having the Town's June 30, 2020 fiscal year-end audit. During this review Finance has been able to determine the estimated year end Undesignated Fund balance. As of today Finance is projecting to decrease the Undesignated Fund balance by approximately \$448 K. The chart below is a summary of Fund balance:

Year End 6/30/2020 Review		
Undesignated Fund balance as of 6/30/19		10,135,337
Fund Balance increase due to excess revenue	226,276	
Fund Balance increase due to unexpanded appropriations	391,723	
Use of Fund Balance	<u>(1,066,588)</u>	(448,589)
Estimated Fund balance as of 6/30/20		9,686,748
Use to reduce taxes (20/21)		<u>(1,550,000)</u>
Projected Fund balance December 2020		8,136,748

Some uses for fund balance as mentioned in the attached Fund Balance Retention Policy.

Recommended Utilization from Fund Balance Retention:

Excess Balance (over prescribed level)

- i. Emergency appropriations
- ii. Capital Projects
- iii. Transfers to Capital Reserves
- iv. **Reduction of the tax rate for the ensuing year (only option available at this time in the fiscal year)**
- v. Any other nonrecurring appropriation as deemed appropriate by the Council

Items ii and iii require a separate warrant article on the upcoming Town Warrant in April. Item iv would require a vote of the Town Council to include on the MS-434 (attached) Revised Estimated Revenues.

Some suggestions for using the Fund Balance would be:

- * To help offset the bond for the Public Safety Complex (warrant article needed)
- * Paving additional Roads through the 2021-22 budget and offset utilizing Fund Balance
- * Reduction of taxes. Depending on the amount the council wants to give back I would suggest a phased in approach to stabilize the tax rate over several years. On the next page you will find a chart showing the effect on the tax rate in \$50,000 increments up to \$500,000.

Below you will find projected level of fund balance:

	13/14	14/15	15/16	16/17	17/18	18/19	19/20	20/21
Town	24,521,227	27,531,324	27,234,754	29,309,129	29,302,185	29,025,972	29,352,505	29,847,888
School	50,852,086	51,043,718	52,971,222	54,854,701	58,094,112	60,602,162	62,636,203	64,305,409
County	3,469,193	3,594,374	3,859,409	3,969,788	4,081,908	4,150,000	4,159,620	4,159,620
Total	78,842,506	82,169,416	84,065,385	88,133,618	91,478,205	93,778,134	96,148,328	98,312,917
Unreserved Fund Balance AS OF 6/30/XX	2,627,604	3,258,678	5,084,882	6,606,894	7,240,738	10,135,337	9,686,748	8,136,748
%	3.33%	3.97%	6.05%	7.50%	7.92%	10.81%	10.07%	8.28%
4% fund balance over (under)								\$3,932,517 \$4,204,232
6% fund balance over (under)								\$5,898,775 \$2,237,973
8% fund balance over (under)								\$7,865,033 \$ 271,715

Return of Fund Balance effect on tax rate:

Fund balance used	Effect on Tax Rate
\$50,000	0.01
\$100,000	0.02
\$150,000	0.03
\$200,000	0.05
\$250,000	0.07
\$300,000	0.08
\$350,000	0.10
\$400,000	0.12
\$450,000	0.13
\$500,000	0.14

The chart on the next page only takes into account what we know at this time to include revenue decreases/increases but I did not adjust for any additional fund balance. One bright spot is that the values of the town have risen. We were projecting about an 11 million dollar increase. The actual increase is about \$94 million. Thus I am estimating the 2020 tax rate to be \$5.06 compared to the budget amount of \$5.06. The estimated tax rate increase from 2019 (\$4.71) compared to 2020 (\$5.06) is 35 cents.

	2020	
Appropriations	45,016,870	
Estimated revenues	(17,182,794)	
Bond Proceeds	(9,520,000)	
Tax overlay	375,000	
General Fund surplus:		
Property tax relief	(1,550,000)	
Veterans exemptions	825,330	
Property tax levy	17,964,406	
Valuation for state property tax rate	3,547,578.102	5.06

Over the past five/ six years the Town has had many retirements. For that reason we have had a large amount of unspent appropriations most notably in Police, Fire and Public Works. We have seen significant unanticipated revenues in Motor Vehicle permits, Interest and other non-tax revenues. However fiscal year 2020-21 will be challenging for many reasons when it comes to revenues. With COVID-19 the Town will see a reduction in some of the State of NH revenues such as rooms & meals and block grant as well as interest on deposits.

The combination of these two factors (unspent appropriations and unanticipated revenues) has led to a large increase in Unreserved Fund Balance over the five/six years. In addition to Fund Balance decrease to help reduce the Municipal portion of the tax rate I have decreased/increased several revenue accounts to project where I believe they will be at year end. The chart below is a summary of these decrease/increases:

	Project Feb/March	Revised Est	Difference
Interest	775,000	450,000	(325,000)
Block Grant	617,053	580,815	(36,238)
Room& Meals	1,530,230	1,308,111	(222,119)
Current Use	75,000	90,000	15,000
Insurance rebate	7,500	163,883	156,383
Totals	3,404,783	2,592,809	(411,974)

Below is a chart depicting the Unreserved Fund Balance runout which you saw during the budget process and has been updated for the estimated June 2020 estimated fund balance. We are still on target with the Town Council's goal of reducing fund balance.

Fiscal Year	2020/21	2021/22	2022/23
Unreserved Fund balance	9,686,748	8,136,748	6,586,748
Reductions:			
Reduce taxes	300,000	300,000	300,000
Offset Capital Projects *	902,000	950,000	750,000
Extra use of Unreserved Fund Balance	348,000	300,000	300,000
Total Reduction To Fund Unreserved Balance	1,550,000	1,550,000	1,350,000
Unreserved Fund Balance (Adjusted)	8,136,748	6,586,748	5,236,748
Percentage Of Unreserved Fund balance	8.28%	6.79%	5.40%

* For instance additional paving , Public Safety Complex